

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

_____)
Cambridge Electric Light Company/)
Commonwealth Electric Company)
_____)

D.T.E. 99-90-C

MOTION FOR CLARIFICATION

Cambridge Electric Light Company (“Cambridge”) and Commonwealth Electric Company (“Commonwealth”) (together, the “Companies”) hereby petition the Department of Telecommunications and Energy (the “Department”) for clarification of its decision in Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 99-90-C, issued June 1, 2001 (the “Order”). The Order addresses outstanding issues associated with the reconciliation of the Companies’ 1998 transition, standard offer service, default service and transmission costs. The Companies seek clarification of the Department’s rulings on issues relating to: (1) recovery of the Primary Service transition charge discount; and (2) deferral of unrecovered distribution costs.

I. STANDARD OF REVIEW

The Department’s standard of review for clarification of its decisions is well-established. The Department has stated that “[c]larification of previously issued orders may be granted when an order is silent as to the disposition of a specific issue requiring determination in the order, or when the order contains language that is so ambiguous as to leave doubt as to its meaning.” Boston Edison Company, D.P.U. 92-1A-B at 4 (1993); Whitinsville Water Company, D.P.U. 89-67-A at 1-2 (1989). “Clarification does not involve reexamining the record for the purpose of substantively modifying a decision.”

Boston Edison Company, D.P.U. 90-335-A at 3 (1992), citing Fitchburg Gas & Electric Light Company, D.P.U. 18296/18297, at 2 (1976). As demonstrated in this Motion, the Companies satisfy the standard in this instance.

II. ARGUMENT

A. The Department Should Clarify its Order Concerning Recovery of the Revenue Loss Attributable to the Discounted Transition Charge for Primary Service Customers

The Companies proposed an adjustment to the reconciliation of the Transition Charge to recover the difference between the actual transition cost revenues received by the Companies from Primary Service customers and the calculated transition cost revenues expected to be recovered by the Companies on an equal per-kilowatthour basis from all customer classes. Although the Primary Service customers receive a 2 percent discount on all rate elements, including the Transition Charge, this discount is not recovered in the calculation of the reconciliation adjustment of the Variable Component of the Transition Charge (see Schedule 2, Page 1, Column 6).

In denying the proposed adjustment, the Department stated:

Because the lower costs to serve customers at the primary voltage level results in having to supply less electricity, the Department finds that the appropriate treatment to account for the primary discount is through the metered consumption and not the rates. Therefore, for the two percent primary service discount, the Department directs [the] Companies to discount the metered consumption instead of the rate.

Order at 52-53. The Department's directive to discount metered consumption requires clarification because it does not appear to address the Companies' transition charge revenue adjustment proposed to recover the 2 percent discount applied to the Transition Charge applicable to Primary Service customers. It is unclear to the Companies precisely what the Department would have the Companies do, and therefore, the Companies seek

clarification of the Department's directive "to discount the metered consumption instead of the rate."

B. The Department Should Clarify That the Companies May Defer Unrecovered Distribution Costs Required To Comply With the Restructuring Act

On August 19, 1999, the Department issued a letter clarifying certain rate-design conditions necessary to comply with the requirement of G.L. c. 164, § 1B(b) (Section 193 of Chapter 164 of the Acts of 1997 (the "Restructuring Act")) to implement a 15 percent rate reduction for electricity consumption on and after September 1, 1999. The application of the Department's rate-design conditions prevented the Companies from developing rates for effect September 1, 1999 that would provide the 15 percent rate reduction required by the Restructuring Act on a revenue-neutral basis without reducing the transition cost to be charged to all customers (Exh. HCL-1, at 7-8).

The Companies proposed reductions in certain distribution rates to maintain the overall revenue neutrality of base distribution rates, while still ensuring that each rate element (taken as an aggregate) meets the 15 percent rate reduction standard (*id.* at 8-9). However, this resulted in lost base distribution revenues, for which the Companies sought recovery through an adjustment to the Transition Charge (Exh. RHM-1, at 20-21). The Department's Order denied the Companies' proposed adjustment to the Transition Charge, suggesting that the Companies could have balanced the class-specific under-recovery of distribution revenues against a reduction of a uniform transition charge. The Department found further that the reduction in distribution revenues is not a transition cost permitted by the Restructuring Act. Order at 56.

The Companies would not be able to perform the balance suggested by the Department between class-specific under-recovery and a reduction of the uniform

transition charge. A uniform lowering of the Transition Charge would not have permitted the Companies to comply with the Restructuring Act's 15 percent rate reduction for those customers who have low or no electric use (since the distribution customer charge needed to be decreased to ensure the mandated rate reductions for such customers). In fact, a significant portion of the unrecovered distribution costs results from the reduction of the customer charge. See Exh. HCL-4, at 1. Even in instances where a Transition Charge reduction could have implemented the 15 percent reduction, because the Department requires a uniform transition charge, the reduction to the Transition Charge would require the Companies to experience significantly larger transition cost deferrals in order to satisfy the Department's rate-design directives. See Fitchburg Gas & Electric Light Company, D.T.E. 97-115/98-120, at 40 (1999).

As described above, the Companies' proposed distribution rates were developed in the context of the rate-design constraints established by the Department to comply with the Restructuring Act. The non-recovery of such distribution revenues conflicts with the rate-design goals that were inherent in the unbundling of rates approved by the Department as part of the Companies' Restructuring Plan in D.P.U./D.T.E. 97-111. Indeed, the Department recently stated that one of its rate-design goals in approving the Companies' Restructuring Plan was to allow them "to be revenue neutral with respect to the collection of Distribution revenues . . .". BEC Energy/COMEnergy Merger, D.T.E. 99-19, at 32 (1999).

Like the farm discount rates, also mandated by the Restructuring Act, these

reduced distribution rates cause the Companies to experience under-recoveries.¹ The Department previously recognized that distribution companies may experience under-recoveries associated with implementation of the farm discount, and permitted distribution companies to defer costs associated with the implementation of the farm discount for consideration in a subsequent general rate case. Electric Industry Restructuring, D.P.U./D.T.E. 96-100, at 22-23 (1998). Consistent with the Restructuring Act and the Department's treatment of under-recovered farm discount revenues, the Companies request clarification from the Department that they may similarly defer unrecovered distribution costs attributable to their compliance with the requirements of the Restructuring Act and the Department's August 19, 1999 letter.² The requested clarification would permit the Companies to defer recovery for lost-distribution revenues until the Companies' next general rate case.

III. CONCLUSION

For the reasons stated above, the Companies respectfully request that the Department grant this Motion for Clarification and provide the requested clarification, as described herein.

¹ Section 315 of the Restructuring Act requires distribution companies, among others, to provide electricity or gas services to persons or corporations engaged in the business of agriculture or farming, as defined pursuant to section 1A of chapter 128 of the General Laws, at rates, prices, and charges established at least 10 percent below any other rate, price, or charge category, with further rate, price, or charge considerations granted for off-peak consumption.

² The Companies' request for clarification to defer the lost revenues is, in effect, the same outcome envisioned by the Department's Order when it indicated that an appropriate option would have been a reduction in the transition charge to meet the 15 percent reduction. Had the Companies been able to reduce their transition charge to meet the statutory requirement, transition costs would have been deferred for later recovery.

Respectfully submitted,

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